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CIA Agents Bilked Investors

At least one CIA agent was fired and several others disciplined when it was revealed that they were part of a Honolulu-based investment scheme that bilked private investors of millions.

The agency at first denied involvement, but has now admitted at least some connection to the swindle in affidavits filed in federal court.

Intelligence sources told my associates Indy Badhwar and Dale Van Atta that the Central Intelligence Agency's inspector general investigated the investment operation, found the agents guilty of "poor trade practices" and concluded that they did not act illegally.

But the sources suggested that the internal investigation, which left a handful of agents hanging out to dry, may be the tip of the iceberg. Still submerged, they say, is a massive scandal.

Congressional investigators and attorneys on the case have heard testimony that Vice President Bush had some knowledge of, and some contact with, the investment house, which was a CIA front operating with the full knowledge of agency officials.

The CIA declined to comment on grounds that the matter is now in litigation. Here's the outline, drawn from interviews and confidential documents:

At center stage is Ronald Ray Rewald, currently facing federal and state criminal charges stemming from his operation of a Honolulu investment firm called Bishop, Baldwin, Rewald, Dillingham and Wong. Rewald claims he was a covert agent for five years, running the firm for the CIA.

More than a month ago, a federal grand jury handed up a 120-count indictment charging that Rewald diverted to his own use some of the $22 million in investors' money "by means of false and fraudulent pretenses . . . and omissions of material facts."

A year earlier, in response to complaints from investors and the Securities and Exchange Commission, as well as a bankruptcy petition lodged against BBRD&W, a federal judge froze the firm's assets and placed it in trusteeship.

Rewald was arrested and jailed by Hawaiian police. When the agency disowned him he filed a confidential, 53-page affidavit with 95 exhibits giving details of the BBRD&W operation—as well as of several other CIA activities in the Orient.

Here are some of the charges he made in the affidavit:

Rewald, who had worked as a CIA informer on anti-war demonstrators during his school days in Wisconsin, said he was introduced by CIA operatives in 1978 to Honolulu station chief Eugene Welch. Rewald said it was Welch who suggested setting up BBRD&W as a CIA front and that Welch arranged a phony pedigree and $150 million net worth for the company and fake credentials for Rewald.

Rewald stated that at least 10 CIA agents worked for the company, including Welch's successor as station chief, John C. Kindschi.

The crucial question, of course, is whether Rewald is telling the truth in his affidavit. Confidential documents and transcripts of secret taped conversations appear to bear out parts of his story.

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